DOCUMENT RESUME

ED 387 069 HE 028 654

AUTHOR Merisotis, Jamie P.; And Others
TITLE The Next Step: Student Aid for Student Success.
INSTITUTION Institute for Higher Education Policy, Washington, DC.
SPONS AGENCY Education Resources Inst., Boston, MA.
PUB DATE Jun 95
NOTE 53p.
AVAILABLE FROM Education Resources Institute, 330 Stuart Street, Suite 500, Boston, MA 02116-5237.
PUB TYPE Reports - Evaluative/Feasibility (142)

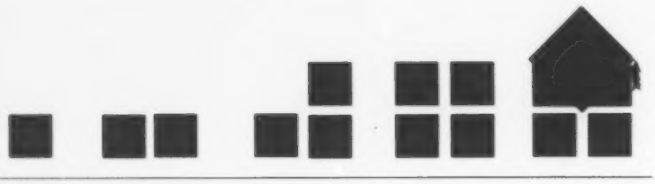
EDRS PRICE MF01/PC03 Plus Postage.
DESCRIPTORS *Academic Achievement; *Access to Education; Educational Research; Federal Programs; Grants; Higher Education; Intervention; Policy Formation; Program Design; *Public Policy; School Holding Power; *Student Financial Aid; Work Study Programs
IDENTIFIERS College Work Study Program; TRIO Programs

ABSTRACT

This review of the connection between student financial aid and student access to and success in higher education draws on existing research on these issues and makes recommendations for national policy on student aid and higher education. The resulting recommendations are: (1) create a new federal strategy, the College Success Program (CSP) that links current student support and intervention programs and provides new mechanisms to promote student success in college; (2) establish a mechanism for converting CSPs into grant funding that promotes student persistence in college; (3) modify the Federal College Work-Study program to expand opportunities for student work that are related in a meaningful way to declared educational or career goals; (4) increase support for the TRIO and National Early Intervention Scholarship and Partnership programs; (5) create a new program, modeled on the Department of Education's Fund for the Improvement of Postsecondary Education, that awards competitive grants to institutions that develop and successfully administer systemic efforts for increasing student persistence; (6) implement the Student's Total Education Package (STEP) proposal from the National Commission on Responsibility for Financing Postsecondary Education; and (7) exempt high performing institutions from certain government regulations to encourage greater emphasis on student success. (Contains 39 endnotes.) (JB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 387 069



THE NEXT STEP

STUDENT AID FOR STUDENT SUCCESS

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Institute for Higher Education Policy

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☒ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy

HE 032 654

HE

A REPORT FROM

FOR HIGHER EDUCATION POLICY

PRESENTED BY

TERI

The Education Resources Institute

BEST COPY AVAILABLE

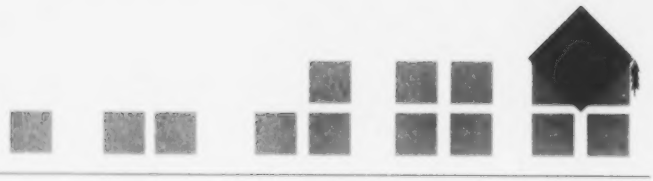
The Institute for Higher Education Policy is a non-profit, non-partisan organization whose mission is to foster access to and quality in postsecondary education. The Institute's activities are designed to promote innovative solutions to the important and complex issues facing higher education. These activities include research and analysis, policy formulation, strategic planning and implementation, and seminars and colloquia.

Prepared by the staff of The Institute:
Jamie P. Merisotis, President
Colleen T. O'Brien, Managing Director
Allison H. Gray, Policy Analyst
Margaret H. Hill, Policy Analyst
Cynthia G. Richardson, Project Specialist

For further information, please contact:
The Institute for Higher Education Policy
1930 18th Street, NW / Suite 24
Washington, DC 20009
(202) 588-8383 Fax (202) 588-8379

For additional copies, please contact:
The Education Resources Institute
330 Stuart Street, Suite 500
Boston, MA 02116-5237
(800) 255-TERI Fax (617) 451-9425

BEST COPY AVAILABLE



THE NEXT STEP

STUDENT AID FOR STUDENT SUCCESS

JUNE 1995

A REPORT FROM

FOR HIGHER EDUCATION POLICY

PRESENTED TO

TERI

The Education Resources Institute

TABLE OF CONTENTS

FOREWORD ——— *i*

EXECUTIVE SUMMARY ——— v

CHAPTER ONE: INTRODUCTION ——— 1

- Why College Matters
- How Student Aid Has Made a Difference
- The Changing Nature of Student Aid
- Efforts to Increase Student Success

CHAPTER TWO: LINKAGES BETWEEN STUDENT AID AND STUDENT SUCCESS ——— 15

- How Should Student Success Be Defined?
- Persistence as a Measure of Student Success
- How Student Aid Impacts Student Success
- Other Factors that Impact Success

CHAPTER THREE: PRINCIPLES FOR REFORM ——— 27

CHAPTER FOUR: REDESIGNING STUDENT AID - THE NEXT STEP ——— 35

ENDNOTES ——— 47

FOREWORD

In August of 1994, The Education Resources Institute (TERI) commissioned The Institute for Higher Education Policy to conduct a study of the current state of student financial aid in America. The study was commissioned to coincide with the celebration of TERI's 10th anniversary in June of 1995. As we look back on this past decade, it is apparent that it has been an eventful one in national student aid policy. The period from 1985 to 1995 has seen two reauthorizations of the Higher Education Act, the legislation that defines the federal government's role in student aid. These reauthorizations have included significant changes to established programs and the creation of new programs to continue providing access to higher education.

Over this decade, higher education itself also has changed; fewer students are graduating in four years, and the traditional student cohort is being rivaled by the growing non-traditional student population. As the next reauthorization approaches, it is likely that access will continue to be the primary goal of the student aid system, but increased attention will be focused on what is happening to students once they enroll in college. From a policy perspective, the main question will be: how can student aid promote student success?

The issue of student success is the central theme of this study. How have the goals and purposes of student aid changed to include standards of student success? What does scholarly research show about the overall impact of student aid on student success? How can policies be redesigned to better meet the goals of both access and success? After an extensive review of persistence and student aid policy research, The Institute has sought, through a number of policy proposals, to stimulate dialogue on the nature and goals of federal student assistance. We hope that this dialogue will lead to new insights and consensus on federal aid policy as Congress again begins the process of reauthorizing the Higher Education Act.

The Institute would like to express its appreciation to all who contributed to this project, including consultants Jeneva Stone and Gil Kline, as well as the members of the higher education community who provided feedback on the literature review. We would particularly like to acknowledge the efforts of TERI staff who, under the direction of TERI President Ted Freeman and TERI Services, Inc. President Tom Parker, provided invaluable guidance and feedback. Senior Vice Presidents Ann Coles and Ellen Lucchesi were instrumental in ensuring the success of this project as a whole.

The policies and programs presented in this report do not necessarily represent the views of TERI or TERI Services, Inc. Responsibility for the content and viewpoints expressed in this report rests solely with The Institute.

EXECUTIVE SUMMARY

The importance of investing in higher education has never been more apparent. Research and public opinion polls show that those who have attended college have significantly higher incomes than high school graduates and have more fulfilling, productive lives. These benefits accrue both to individuals and to society broadly in the form of an effective and competitive workforce and a well-informed citizenry that participates in our democratic institutions.

Historically, increasing educational opportunities for all interested and able Americans has been the driving principle behind federal student aid policy. Access to higher education has been afforded through the creation of such programs as the Pell Grant program, guaranteed student loan programs, and campus-based aid programs. In 1994, these programs provided over $30 billion in support of student participation in postsecondary education.

Efforts to improve access have been instrumental in increasing the number of students enrolled in higher education but not the number successfully completing a college degree. Over the past 30 years, while more and more students have entered postsecondary institutions, the percentage of students who leave school with a degree has actually decreased. Today, almost one-half of all students who enter college never receive a degree. With fewer students successfully completing their educations, the focus of policy--driven mainly by increasing budgetary pressures--has shifted from access to student success.

Criticisms of federal aid programs, ranging from high student loan default rates to low graduation and completion rates for aid recipients, suggest that federal student assistance has failed to provide opportunities that promote the successful completion of college. In response, a broad array of attempts to improve the accountability of federal student aid programs has been proposed.

Many of the current policies that purport to improve accountability use the threat of loss of student aid eligibility as the "stick" to enforce compliance by colleges and universities. These policies include student loan default rate cut-offs, required reporting of graduation rates and other data, and adherence to certain financial, administrative, and other standards developed by states. Students at institutions that fail to meet these standards are denied access to student aid funds. Recently proposed policies would have an even more dramatic impact on student access and success: eliminating aid for students who have low grades, who are enrolled in remedial courses or programs, or who are not enrolled full-time, to name but a few of the discussed options.

With fewer students successfully completing their educations, the focus of policy--driven mainly by increasing budgetary pressures--has shifted from access to student success.

The flaw in many of the current and proposed efforts to improve accountability is that they are punitive in nature and reduce access to postsecondary education, rather than focus on strategies that provide incentives for success. Instead of pursuing negative strategies--creating thresholds and barriers that will only serve to limit access--the nation must take a more proactive approach that seeks to positively encourage students to succeed and allows institutions that serve students well to continue doing so.

Prior research has shown that many factors positively influence student success. In defining success we are especially compelled by factors that promote student "persistence," meaning continuous enrollment in a postsecondary institution through the completion of a degree or other educational or career goal. In addition to financial assistance--especially grant aid--persistence also has been closely equated with socio-economic status, pre-college academic preparation, college academic performance, and social integration on campus. Programs ranging from "early intervention" efforts that target at-risk youth at the elementary and junior high school levels with a combination of academic support, mentoring, and counseling, to collegiate programs that offer tutoring and social guidance, have proven to be particularly effective. These factors all must be taken into account in fashioning a new strategy for using student aid to positively influence student success.

In developing this strategy, the nation must adhere to several core principles to guide the development of national policy in the near- and long-term. These include:

- Student success in college must be viewed as part of a continuum that begins at the elementary school level and progresses through the achievement of a postsecondary degree or other educational or career goal.
- Students and families should be able to rely on reasonable and stable levels of support from the federal government to help pay for college.
- Governmental policies should promote greater awareness for students and families regarding their responsibilities for paying for college and the availability of financial assistance.
- Student aid should be viewed as one of a combination of essential strategies that must be pursued to ensure student success in postsecondary education.
- Non-governmental entities must play a central role in promoting student success at all intervals along the education continuum.

- Simplicity should be promoted in the processes of determining student eligibility and delivering aid.
- Oversight of student aid programs must strike a balance between student needs for consumer information and governmental needs for monitoring the capacity of institutions to administer taxpayer resources.

To meet these goals, several policy strategies should be pursued at the federal level. Together, these strategies can significantly strengthen and expand the federal government's efforts to promote student success. At the same time, these policies can be implemented without resorting to the kinds of access-inhibiting, negatively framed proposals that have dominated the policy landscape over the past several years.

We recommend that the following policies be implemented:

Create a new federal strategy, called the College Success Program (CSP), that links current student support and intervention programs and provides new mechanisms to promote student success in college.

The CSP would represent a major new federal commitment to student success at the postsecondary level. The CSP would provide positive incentives to students, both early in life and continuing through to college, to succeed while in college. The CSP would award college success "points" (CSPs) to students for participating in early intervention programs, engaging in peer support activities, and participating in collegiate support programs that encourage persistence. Such a program would acknowledge the inextricable linkage between student support and intervention efforts--prior to and during college--and student success. CSPs could be redeemed by students at any point in their lifetimes to provide financial support to succeed in college. This strategy conveys a simple and straightforward message to students who frequently hear confusing and conflicting information about college financing. The message: participate in support programs, receive additional aid for college.

This strategy conveys a simple and straightforward message to students: participate in support programs, receive additional aid for college.

Establish a mechanism for converting CSPs into grant funding that promotes student persistence in college.

Students should be allowed to convert their CSPs into actual grant funding while in college. CSPs earned prior to college enrollment could be used to pay for the first year of enrollment in college. The CSPs could be redeemed for grant funding that equals up to 50% of the student's Pell Grant award, depending on the number of CSPs earned before college. In subsequent

years, CSPs could continue to be earned by students who participate in collegiate support programs that promote persistence.

Modify the Federal College Work-Study program to expand opportunities for student work that are related in a meaningful way to declared educational or career goals.

Recent studies have shown that work during college years, particularly on-campus work, provides students with incentives to persist in school by making them feel integrated with the campus community. Existing work-study opportunities, however, are limited mainly to on-campus jobs in food service, campus maintenance, and other tasks not directly related to the educational programs or goals of most students. Broadened employment options would result in increased student satisfaction with their collegiate experience, and therefore increase the likelihood of uninterrupted persistence.

Consideration should be given to utilizing the $5 billion that is now allocated to the Federal Perkins Loan program in institutional revolving accounts on campuses to fund additional work-study opportunities directly related to student career or educational goals. With the future of the program in jeopardy due to political opposition, these funds could be used if the Perkins program is terminated.

Increase support for the TRIO and National Early Intervention Scholarship and Partnership programs.

Funding for the Student Support Services program, the only major federal program that actively encourages degree or educational goal completion, should be increased by at least 10% per year for the next five years.

Many institutions devote significant resources toward remedial education for capable students who have not received adequate secondary instruction and support. The federal government can provide assistance by increasing support for all of the TRIO early outreach and student services programs, and for the National Early Intervention Scholarship and Partnership Program, by at least the rate of inflation.

In particular, funding for the Student Support Services program, the only major federal program that actively encourages degree or educational goal completion, should be increased by at least 10% per year for the next five years. This increased funding would give colleges and universities the additional support they need to create a positive learning environment for the disadvantaged but capable students they are trying hard to attract and retain.

Create a new program, modeled on the U.S. Department of Education's Fund for the Improvement of Postsecondary Education (FIPSE), that

awards competitive grants to institutions that develop and successfully administer systemic efforts for increasing student persistence.

The creation of a separate grant program for institutions would offer two significant advantages: it would signal the federal government's substantial interest in ensuring that students succeed throughout their college careers, and it would encourage institutions to develop creative solutions to the problems of student dropout and stopout (students who leave and return). The goal of these efforts should not necessarily be to create new programs but rather to alter the campus culture in such a way as to increase student retention systemically.

Implement the Student's Total Education Package (STEP) proposal from the National Commission on Responsibilities for Financing Postsecondary Education.

STEP, an innovative concept in federal financial aid, would fix the total maximum amount of aid that any full-time undergraduate student can receive from the federal government. Under STEP, all full-time undergraduate college students would be eligible for the same maximum amount of federal aid, but the type of aid they receive would vary depending on their own financial needs and the cost of attendance. The federal government would set the maximum package amount based on the weighted national average per-student expenditures at four-year institutions. According to the National Commission, this amount was approximately $14,000 in 1993.

With this approach, students who want to attend college--or who already are enrolled but uncertain about their financial future--would know the exact amount of aid they could receive from the federal government. Both the government and higher education institutions could distribute and publicize this information to current and prospective students, cutting through much of the confusion and uncertainty about receiving assistance.

Exempt high performing institutions from certain governmental regulations to encourage greater emphasis on student success.

Under the State Postsecondary Review Entity (SPRE) program, institutions that meet any one of nearly a dozen "triggers" are subject to extensive review by the State Postsecondary Review Entity in their state. These triggers are intended to spotlight institutions that may be engaging in fraudulent or abusive activities. However, the flaw with SPRE and other new federal regulations is that they treat all institutions with suspicion and subject them to significant regulatory burdens. By focusing their institutional efforts on

complying with the massive federal student aid regulatory apparatus--which now totals more than 7,000 sections in the Code of Federal Regulations--colleges and universities are often unable to devote energies and resources to student support programs that positively encourage success.

One way of encouraging greater institutional emphasis on student success would be to create a "reverse trigger list" for high performing institutions. Such a list could include a variety of thresholds to ensure that appropriate financial, administrative, and other requirements are being met. Institutions that meet all of the reverse trigger list standards could thereby be exempted from certain regulations, or might be required to report necessary information once every several years, rather than annually.

The goal of equalizing postsecondary educational opportunity remains as important today as when it was first proposed at the federal level in 1965. At a time when budget constraints and calls for greater accountability in student aid dominate policy discussions, it is important to remember that postsecondary education benefits the nation as a whole as much as the individuals being educated. By creating incentives for success through student assistance programs, both students and the nation will benefit. Such an approach will ensure that student aid will take the logical next step in meeting the nation's goals of social and economic prosperity as we enter the 21st century.

By creating incentives for success through student assistance programs, both students and the nation will benefit.

CHAPTER ONE

INTRODUCTION

Guided by the goal of equal educational opportunity, American society has long sought to make education available to all qualified and interested citizens. Public support of elementary and secondary education predates the formation of our nation's government, but it has only been in the latter half of this century that public policy has focused on making postsecondary education a reality for a greater number of our citizens. The combination of federal, state, institutional, and private efforts has increased participation in higher education for many individuals and groups for whom a college education was previously out of reach. This investment has paid off not only for individual students in the form of higher wages and improved quality of life, but also for the nation as a whole in the form of a skilled, competitive workforce and a well-informed citizenry.

However, since the inception of federal efforts to aid students in attending higher education, much has changed on the national landscape. Shifting demographics, increasing global economic relations, and evolving technology and industry have stepped up the need for education and further investment in the skills of our nation. Yet the resources available to address educational needs have diminished as other issues such as interest on the federal debt, increasing health care costs, and expanding entitlement costs have consumed greater portions of public funds.

Amid concerns over budget deficits and expansive federal spending, some policymakers have called for changes in the federal investment in higher education. Among others, they have proposed specific cuts in student aid programs that would greatly impact students' ability to participate and succeed in postsecondary education. At a time when the need for increasing levels of workforce education are growing--to fulfill the demands of our changing economy and industry and to address our many social ills--the investment in higher education must be strengthened, not reduced. More effective means of assisting students must be devised that answer the needs of a changing society and allow for accountability and responsibility on the part of all involved.

At a time when the need for increasing levels of workforce education are growing, the investment in higher education must be strengthened, not reduced.

Why College Matters

Why is it so important for the nation to strengthen its investment in higher education? While there are myriad answers to this question, perhaps the best answer may be found in an examination of the benefits that accrue from participation in postsecondary education.

The debate regarding whether the benefits of advanced education should be considered public or private is decades old. Many of the most immediate

impacts of continued education directly benefit individual students, and to some extent their families. For instance, a positive correlation exists between increased educational attainment and higher income. The U.S. Bureau of the Census's Current Population Survey documents the relationship:

- In 1992, the mean annual earnings for persons aged 18 and over with a high school diploma was $18,737. In comparison, the mean annual earnings for those with a bachelor's degree was $32,629. Even persons with some college (but no degree) or an associate degree achieved greater earnings than a high school graduate, with mean annual earnings of $19,666 and $24,398, respectively.

- The more advanced the educational level, the greater the increase in earnings: the mean annual earnings for persons aged 18 and over in 1992 was $40,368 for those with a master's degree, $54,904 for a doctorate degree, and $74,560 for a professional degree.[1]

Spread out over a lifetime, advanced education has a tremendous, positive impact on an individual's earnings. Census calculations show that over the course of a normal lifespan, a high school dropout makes approximately $600,000 (in constant 1992 dollars). Achieving a high school diploma translates into an additional $200,000. A substantial increase appears when an individual attains a bachelor's degree and beyond: a college graduate earns approximately $1.4 million over the course of a lifetime, a doctoral recipient makes just over $2 million, and a professional degree holder earns an estimated $3 million.[2]

These estimates are compelling, yet also troubling, when combined with the facts about educational attainment in America. In 1993, while 80% of Americans over the age of 25 had completed high school, only 20% had achieved a bachelor's degree or higher.[3]

To make matters worse, the Labor Department reports that the only real growth in wages in the past 20 years has been by college graduates. All other categories have remained stagnant or have declined. Although some economists attribute this trend in part to the temporary "shortage" of younger college-educated workers in the wake of the baby boom, forecasts call for this trend to continue. While the supply of younger workers is set to rebound as the century ends, the demand for highly skilled labor will continue to increase, widening the wage gap even further between college educated and non-college educated citizens.[4]

Estimates of Lifetime Earnings by Level of Education: 1992

Source: U.S. Department of Commerce, Bureau of the Census, "More Education Means Higher Career Earnings," *Statistical Brief*, August 1994.

Higher education also has another important benefit for individuals: it increases a person's quality of life. Public opinion surveys show that increased education levels have a variety of positive impacts on individuals' quality of life. For example, the Public Health Service's National Health Interview Survey has found that higher education increases the health status of individuals by increasing knowledge about healthy behaviors and preventative care. Thus, Americans with four or more years of college education exercise or play sports regularly at about twice the rate of high school dropouts, but smoke cigarettes only half as much as high school graduates and dropouts.[5]

The benefits of higher education are not confined to individuals. Society reaps great rewards from increased education. Better-educated citizens achieve higher earnings levels and therefore contribute greater returns to the tax base. Their increased levels of skills and qualifications make the workforce more productive, which in turn boosts the national economy. The varying roles that higher education can play in our society--from educating the disadvantaged and training workers, to offering solutions to modern problems and improving the overall quality of life--are greatly valued in a democracy.

Society also benefits from higher education in the form of increased participation in the social, economic, and political activities of the nation. Accord-

ing to the U.S. Bureau of the Census, college graduates were 58% more likely to vote in the 1992 Presidential election than high school graduates.[6]

Moreover, there is public awareness of these benefits. Recent public opinion research shows that Americans revere higher education as a significant goal for which to strive and an important investment of public resources. In January of 1995, as part of a campaign to raise awareness of student aid opportunities, the Alliance to Save Student Aid--a cooperative effort of numerous Washington-based higher education associations--convened focus groups to gauge the public's perception of student aid programs, their relative importance, and the impact of proposed budget cuts. Overwhelmingly, these focus groups demonstrated that higher education still is considered an integral part of the American Dream.

The focus groups revealed that a college degree is viewed as a "stepping stone to personal and national success." Parents are committed to providing their children with this opportunity and are willing to make great sacrifices, including taking on higher levels of debt to ensure their children's education because it "will make life better for [them]" and future generations. A particular concern was expressed about the United States lagging behind other countries, and, repeatedly, education was seen as the key to increasing the country's global competitiveness.[7]

Similarly, the California Higher Education Policy Center's 1993 survey of California residents found that 76% endorse the view that "high school graduates should go on to college because in the long run they'll have better job prospects."[8] This survey also found increasing anxiety regarding America's economic competitiveness and the role that higher education could take in improving that competitiveness.

The business community is actively involved in large scale cooperative efforts to promote higher education. Organizations such as the Business Roundtable have formed partnerships with the U.S. Department of Education and other national organizations to voice support for education and to address the role that industry can play in improving higher education. Furthermore, some businesses have developed partnerships with individual institutions to establish school-to-work internship and work programs for students. The business sector recognizes that the country requires a well-educated workforce in order to meet the economic challenges that lie ahead.

How Student Aid Has Made a Difference

It is clear that the investment in higher education has benefitted all aspects of American society. Student aid, particularly that which is provided through

federal programs, has been an important component of that investment. The federal government initially developed student financial aid programs to ensure that higher education was readily accessible to all Americans, not just those with exceptional ability or wealth. While economic and international competitiveness concerns drove the creation of the GI Bill in the 1940s and the National Defense Education Act in the 1950s, the Higher Education Act (HEA) of 1965 was intended to address issues of equality. As part of "The Great Society," the HEA also was designed to free generations from the cycle of poverty by expanding access to postsecondary education for large numbers of low-income and minority students. The Act was responsible for creating the campus-based aid and loan programs that still exist today, although in some cases under different names. Since their inception, these programs, including Guaranteed Student Loans, Supplemental Educational Opportunity Grants, Perkins loans, and College Work-Study, have provided access to millions of students who require financial assistance in order to attend college. In 1994, these programs supplied more than $30 billion in aid for students seeking postsecondary education.

The creation of the Pell Grant program in 1972, originally known as the Basic Educational Opportunity Grant, further increased access. Designed to serve as the main source of financial aid for low-income students, the Pell program has functioned as the foundation for the financial aid "package" on which students rely. In 1994, almost 4 million students received a total of over $5 billion in aid through the Pell Grant program.[9] The establishment of the campus-based and the Pell Grant programs relates positively to expanded access to higher education for all students.

In addition, research has shown how student aid has affected enrollment patterns for low-income students. McPherson and Schapiro studied the distribution of college students by family income and found that aid, when it lowered the net cost facing lower-income students, tended to encourage higher enrollment.[10]

The benefits of federal student aid policies can be measured in the same way that the benefits of early childhood programs such as Head Start are seen. By investing in the short term--providing access to higher education and adequate aid resources--public dollars are saved over the long term in the form of reduced participation in public assistance programs, such as unemployment. In 1992, the unemployment rate for high school graduates was 6.8%. In comparison, only 3.2% of people with a bachelor's degree or higher were unemployed.[11] Expanding access to postsecondary education increases average annual earnings (as noted above) and the probability of financial self-sufficiency.

The Changing Nature of Student Aid

The present policy environment is radically different from that of the nascent years of student aid--the 1950s, 60s, and 70s. While federal student aid policies were created to increase access to postsecondary education and have been successful in achieving this purpose, changing public concerns have steered public policy toward a more complex and narrow view of what "access" means. Gradually, federal policy to promote access has shifted from one of providing large amounts of scholarship money (the GI Bill) to one of providing large amounts of loan money.

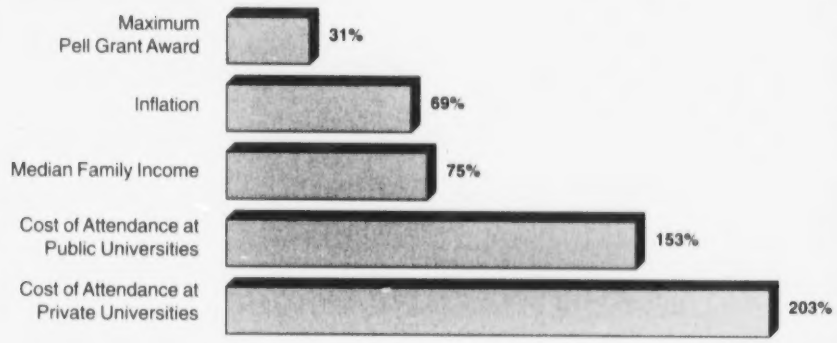
Since the early 1980s, the composition of aid packages has shifted from primarily grants towards a reliance on student loans. In fact, at the federal level, the grant/loan mix in 1994 stood at 72% loans and 26% grants (the remaining 2% of student aid was awarded through work-study programs). In contrast, in 1981, the percentages were 48% loans and 47% grants. Going back even further, to 1976, we see that the virtual opposite of the present situation existed: 21% loans and 76% grants.[12] Several factors have caused this shift:

- Federal grant levels have failed to keep pace with inflation, college costs, and other measures. From 1981 to 1994, the cost of attendance, including tuition, fees, and room and board, rose by 153% at public universities and by 203% at private universities. Over the same time period, however, the maximum Pell Grant award increased by only 31%. The value of this award actually fell by 22% when measured in constant dollars. Over the same period, the median family income rose by 75%, half the rate of increase for public university costs of attendance, while inflation (the Consumer Price Index) increased by 69%.[13]

- Political support for grants has eroded, especially since the early 1980s, causing a growing reliance on student loans. Congress has not funded the Pell Grant program at its authorized maximum level since 1980. The gap between the authorized maximum and the actual maximum has increased from $50 in 1981 to $1,400 in 1994; the maximum Pell was authorized at $3,700, but only funded at $2,300 in 1994. Although authorized maximum levels grew by 106% from 1981 to 1994, actual awards rose by only 31%.[14]

- Access to federal student loan dollars has been greatly expanded, coinciding with increased college costs and reduced support for grant aid. In 1978, the Middle Income Student Assistance Act allowed all students, regardless of need, to borrow federally subsidized loans.[15] In 1981, the Parent Loans to Undergraduate Students (PLUS) program was extended to independent undergradu-

Changes in Grant Aid, Cost of Attendance, Income and Inflation, 1981-1994



Source: Lawrence Gladieux and Laura Greene Knapp, The College Board, *Trends in Student Aid: 1980 to 1990* and *Trends in Student Aid: 1984 to 1994*, 1990 and 1994.

ate students in addition to graduate and professional students. (In 1986, this component of the PLUS program became a separate program entitled Supplemental Loans to Students (SLS).) The 1992 Higher Education Amendments further expanded access to loan programs by creating unsubsidized Stafford Loans which allow all students to borrow to pay for the costs of their education. The 1992 Amendments also raised federal borrowing limits for student loan programs and eliminated limits entirely for the PLUS program.[16]

In conjunction with higher borrowing limits and increased borrowing levels, student default amounts also have increased. The dollar amount of loans defaulted jumped from less than $200 million in the early 1980s to a peak of more than $3 billion in 1991. Since then, the dollar amount has declined, but still totalled over $2.7 billion in 1993.[17]

While programs have expanded to serve a greater number of students, public understanding of federal student aid policies has remained limited. The focus groups convened by the Alliance to Save Student Aid revealed that most students and families believe that grants and scholarships are the main source of financial aid and that colleges and universities supply most financial assistance. The majority of individuals "are not aware that the government provides the backing for many grants and scholarships." The public showed the greatest familiarity with the federal student loan programs, but still demonstrated a lack of understanding about the costs and subsidies associated with the programs.[18] Given the high level of confusion among students and families regarding loan programs, the growing reliance on loans is disturbing. In conjunction with the erosion of funding for grants and rising college costs, higher borrowing rates will translate into increased debt lev-

els for students as they pursue higher education and beyond, potentially impairing their ability to purchase an automobile or finance a home.

As the sheer volume of federal student aid has grown due in large part to loan programs, policymakers want to make sure that the trust the general public has placed in the importance of higher education is well founded. Over the last decade, concern for the consumers of education--students--has escalated. Policymakers and the general public alike have voiced increased dissatisfaction with the financial aid system and the access that it provides. Criticisms of federal aid programs include high student loan default rates, low graduation and completion rates for aid recipients, and an assortment of other complaints suggesting that federal student assistance has failed to deliver effectively on its promise of equalizing educational opportunity. Previous discussions of student aid have centered around the question "How do we fund access to postsecondary education?" Increasingly, however, the central question has become "What opportunities are students receiving access to and to what degree do students achieve success?"

In the past few years, public policy has shifted toward increasing institutional accountability as a means of promoting greater levels of success. Legislation such as the Campus Security and Student Right to Know Act and the State Postsecondary Review Entity (SPRE) program (created during the 1992 reauthorization) were designed to protect students from poor quality educational opportunities. By requiring institutions to disclose information about the instruction and education they provide--such as gradua-

Stafford Loan Program Annual Borrowing Limits by Attendance Status

	Full-Time	2/3 Full-Time	1/3 Full-Time
Freshmen	$2625	$1750	$875
Sophomores	$3500	$2325	$1175
Juniors	$5500	$3675	$1825
Seniors	$5500	$3675	$1825
Graduate & Professional	$8500	$8500	$8500

Source: U.S. Department of Education, *FY 1992 Loan Programs Data Book, 1993.*

tion rates and campus crime rates--policymakers have sought to provide students with improved knowledge necessary to make informed choices about their education. In addition, the federal government's increased standards of accountability have aimed to weed out fraudulent and abusive institutions.

Many of the current policies that purport to improve accountability use the threat of loss of student aid eligibility as the "stick" to enforce compliance by colleges and universities. Students at institutions that fail to meet these standards are denied access to student aid funds.

Recently proposed policies would have an even more dramatic impact on student access and success. Students who have low grades, who are enrolled in remedial courses or programs, or who are not enrolled full-time would be eliminated from aid programs, to name but a few of the discussed options.

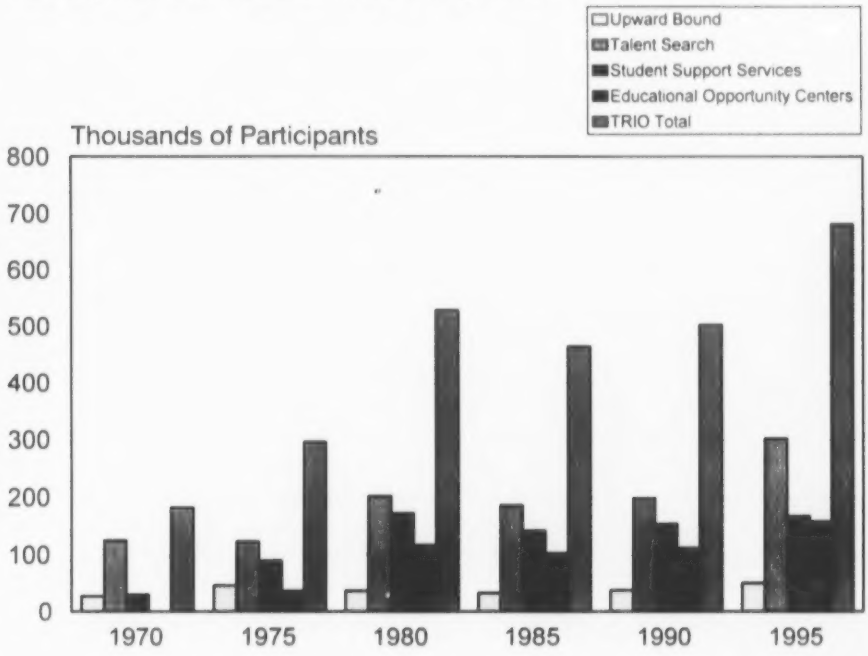
These policies are intended to help improve institutional quality and, therefore, access. However, the needs of students--beyond getting onto the campus and into the classroom--are often ill-served by these policies, especially as they relate to student efforts to complete a degree or other educational or career goal. This is because these policies focus more on forcing institutional compliance with standards than on promoting success for individuals. Fortunately, other governmental and institutional efforts have been developed to more directly address student efforts to succeed in college.

Efforts to Increase Student Success

A combination of actors has increased early intervention activities aimed at improving academic success for disadvantaged primary and secondary students. The federal TRIO programs have been the most instrumental in improving both access and success for disadvantaged students; five major programs fund postsecondary outreach and student support endeavors and, combined, serve about 600,000 students annually. These programs provide a variety of services, from academic, financial, and personal counseling and support, to information on college admissions and financial aid. The federal government also supports a range of other programs that promote college-going among disadvantaged students, from Summer Science Camps to tech-prep efforts that link secondary and postsecondary education students to jobs in specific industry clusters.

Many states and private organizations also have created early intervention programs. A growing number of states are developing and implementing programs designed to improve the academic performance of at-risk primary

Participation in Federal TRIO Programs



Note: The TRIO Total includes participants in the Ronald E. McNair Postbaccalaureate Program.
Source: National Council of Educational Opportunity Associations, *Congressional Relations Manual*, 1995.

---

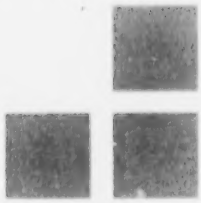
and secondary students, and subsequently their participation in postsecondary education or meaningful employment. Currently at least 19 states have programs that promote college access through early intervention, ranging from the McNair PreCollege program in Massachusetts to the College Preparation Intervention program in Maryland.[19]

Private efforts to support early intervention have flourished. Some of these programs have been modeled on Eugene Lang's promise to a class of sixth graders in East Harlem to pay their college tuition if they graduated from high school, and efforts funded through his "I Have A Dream" Foundation. The success of Lang's compact with these grade school students documents the impact of such efforts: seven years after Lang made his promise, 44 of the 61 original students were still involved in the partnership. Only one student had not graduated from high school and 36 had enrolled in college.[20]

Other private efforts also have proliferated. Boston's highly successful Higher Education Information Center is a multi-service resource center that provides a range of assistance to disadvantaged students, including college

admissions and financial aid guidance. A recent evaluation found that 40% of those assisted by the Center said they would not have completed the admissions and financial aid processes without the Center's help. Similarly, Washington, DC's College Knowledge Club brings eighth grade students together for lectures, field trips, and other activities designed to increase understanding of college opportunities.[21]

Federal, state, and private efforts have accomplished much in helping improve the opportunities for disadvantaged students and affording them greater access to higher education. These efforts should be strengthened and incorporated into a broader policy that builds on these accomplishments. In combination with student aid, early intervention should be the basis of new policy discussions that concentrate on encouraging student success early in life and providing incentives to create opportunities that will allow students to succeed through college. Too much of our current policy is voiced in negative tones and punitive measures; we create barriers and thresholds that limit student access. Instead the nation must take a more pro-active approach based on policies that promote both access and student success.



CHAPTER TWO

LINKAGES BETWEEN STUDENT AID AND STUDENT SUCCESS

The expansion of federal student aid policy must be based on the dual goals of access and success: not only getting more students onto campus, but improving efforts to promote completion of higher education. While access is a well-defined public policy goal, student success is a largely unknown and undefined objective. Previous efforts to improve student success have been limited in their scope, targeted to groups with specific characteristics and needs. In order to encourage student success on a national level, federal policy must be based on parameters that encompass the largest numbers of students and definitively impact the likelihood of achievement. Research shows that a variety of factors can positively influence student success. This research provides a great deal of guidance regarding how policies that link student aid and student success might be fashioned.

How Should Student Success Be Defined?

In the federal student aid policy arena, the definition of student success frequently has been equated with access to higher education. The role of financial aid policy in increasing access was to provide some combination of aid resources that made postsecondary education attainable. Under this philosophy, increased enrollments and participation in federal aid programs were considered signs of a "successful" policy.

Ratio of Bachelor's Degrees Awarded to Full-time, First-time Freshmen, 1973-1988

Academic year ending	Column A: Number of full-time, first-time freshmen from five years previous (thousands)	Column B: Number of Bachelor's degrees (thousands)	Ratio of Column B to Column A
1973	1574	922	0.691
1978	1681	921	0.585
1983	1688	970	0.577
1988	1627	993	0.588

Source: U.S. Department of Education, National Center for Education Statistics, *The Condition of Education 1990, Volume 2, 1994.*

In truth, increased numbers of students entered higher education, but only some were obtaining a degree. Over the past 30 years, more and more students have enrolled in postsecondary institutions, but the percentage of students who leave school with a degree has decreased. Indeed, nearly half of all students who enroll for their freshman year do not complete their educations, with the greatest attrition occurring between the first and second years.[22] Thus, increased access is only a measure of initial success.

Outside the realm of federal policymakers, particularly in the field of academic research on student success, many other terms have been used to predict and/or measure success. These "indicators" include:

- *persistence*--the completion of a degree or other academic goal;
- *job placement rates*--a student's success in securing employment;
- *grades*--a student's level of academic achievement, often considered as grade point average (GPA);
- *standardized test scores*--a student's performance on the PSAT, SAT, ACT, or graduate/professional exams;
- *graduate and professional school enrollments*--applying, being admitted to, and entering postbaccalaureate study;
- *pre-college academic performance*--participation in early intervention and student support services or college preparatory curriculum; and
- *socio-economic background*--a student's family income level and racial/ethnic background.

Any measure of student success must demonstrate that students have not only had access to postsecondary opportunities, but have continued on in school or have completed a degree or other educational or career goal.

The logical outcome of federal student aid policy is to allow citizens the opportunity to improve their quality of life--mainly their knowledge and skills base--through some form of postsecondary education. Therefore, any measure of student success must demonstrate that students have not only had access to such opportunities, but have continued on in school or have completed a degree or other educational or career goal. In addition, the measure must be able to encompass most if not all of the student population, particularly those who receive federal aid. Finally, in order to be useful in a public policy context, a measure of student success must be quantifiable.

Many of the terms listed above fail to meet these standards; in particular, these variables would be difficult to quantify. For instance, job placement

rates and graduate and professional school enrollments both suggest the completion of a degree or that the student persisted long enough to affect his or her employability. However, job placement rates are affected by the state of the economy and therefore do not offer a consistent gauge. Furthermore, enrollments in graduate and professional schools are indicative only of success along a particular career path and apply only to a small fraction of the undergraduate population. Both of these measures are connected to student aspirations, making it difficult to generalize about the relevance of rising or declining rates. They lack a broader-based scope which would allow for a more inclusive definition of student success.

Pre-college academic performance and socio-economic background can predict student success, but they are not outcomes and cannot be *measures* of student success. Other academic performance criteria such as grades and standardized test scores certainly measure student success; however, these types of findings have limited applications without considering their context. Good postsecondary grades and standardized test scores can be obtained by students who drop out. Of what use are good grades and high test scores if a degree is not attained or other educational goals met?

Persistence as a Measure of Student Success

The remaining term, persistence, is a critical component in some of the most influential research on student success. Tinto's theory of student departure suggests that in order to persist (i.e., to succeed in college), a student must integrate his or her personal goals and commitments with the academic and social environment of the postsecondary institution that he/she attends. Tinto's study of student persistence has been central in defining success *as* persistence by correlating many facets of the college experience with persistence and retention. In his model, pre-college academic preparation, socio-economic background, personal goals (such as graduate or professional study or desire for a particular type of job), academic performance, and campus social interaction are all, progressively and cumulatively, involved in a student's decision to persist in or depart from postsecondary education.[23]

From a public policy standpoint, persistence is a useful measure of student success because it is complex and flexible enough to encompass a wide range of students and their achievements within its boundaries. There are several descriptive categories of persistence: degree completers, continuous enrollees, stopouts (persons who leave and return), and drop-

outs. Furthermore, persistence of part-time and non-traditional students can be measured by the completion of educational or career goals rather than strictly by degree completion.

In relation to student financial assistance, the definition of persistence must be clear cut to meet the needs of public policymakers. To this end, persistence should be considered continuous enrollment in a postsecondary institution through the completion of a degree or other important educational or career goal. This is a *measurable* variable of student success.

Persistence is a quantifiable success variable and a timely response to the current political climate when linked to financial aid. Current general public concerns include the substantial number of defaults in the federal student loan programs, escalating college costs, and a demand for quality and accountability from postsecondary institutions. Persistence is, thus, useful as a measure of student success and public concerns because its focus is on progress towards the completion of a degree or other significant goal. Attainment of these goals enables students to obtain well paying jobs, enter higher-level studies, pay back their student loans, and increase the competitiveness of the national workforce.

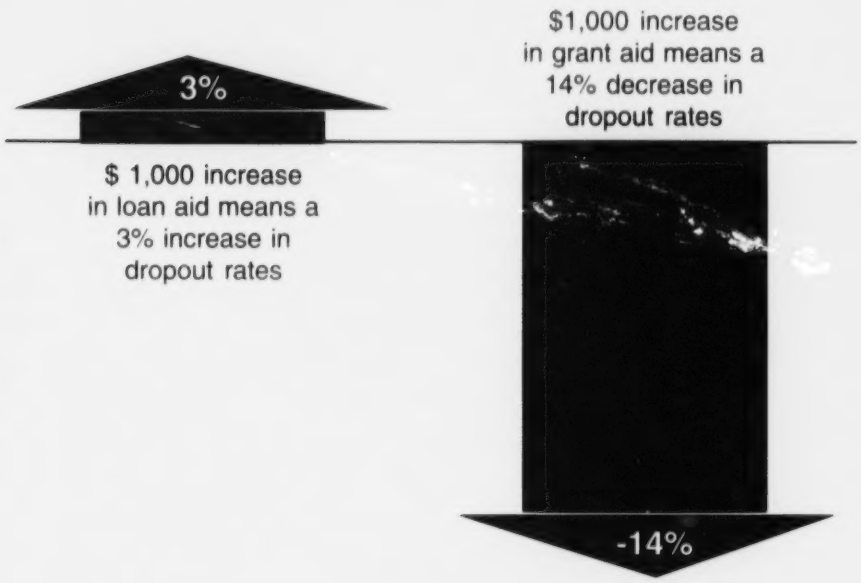
How Student Aid Impacts Student Success

Within the last decade, much research has been conducted to assess the impact of student financial aid on student success, defined as persistence. Although some studies have produced conflicting results, three primary conclusions have arisen from the body of research:

- Aid in general has a net positive impact on persistence.
- Some types of aid are more effective than others in terms of persistence.
- The relationship between aid and persistence is complex and often indirect, especially where minority and low-income students are concerned.

The link established between aid and persistence has varied in strength. The substantive conclusion that can be drawn from research on student financial aid's impact on persistence is that aid recipients (generally those with fewer socio-economic resources) seem to be persisting at least as well or better than non-recipients (generally those with greater resources). This suggests that student aid is fulfilling one of its primary purposes: having a positive and equalizing effect on degree attainment, and therefore improving quality of life. Persistence rates for aid recipients have been

The Impact of Loan and Grant Aid on Low-Income Students' Dropout Rates


$1,000 increase in grant aid means a 14% decrease in dropout rates
3%
$ 1,000 increase in loan aid means a 3% increase in dropout rates
-14%

Note: Figures are statistically relevant at 5%. Low-income is defined as income below $21,000.
Source: U.S. General Accounting Office, *Restructuring Student Aid Could Reduce Low-Income College Student Dropouts*, 1995.

measured at a rate of 55%, which is greater than non-recipients, making the two groups about even when controlling for academic ability.[24]

The timing of aid also can have an impact on student persistence. For example, financial assistance can help students make the crucial transition from the first to second year of college. This is the point at which dropouts most frequently occur.

In addition to the timing, the type of aid a student receives is important. Grants, which represent the shrinking foundation of state and federal aid, have been shown to have a positive effect on persistence. In particular, research indicates that a grant in combination with a loan has a higher correlation with persistence than either a loan or grant alone.

Two U.S. General Accounting Office (GAO) studies indicates that grant money has a strong effect on low-income and minority persistence. For example, on average, in any given semester, providing African-American and Hispanic students with an additional $1,000 in grant funds decreases the probability of dropping out by approximately 7% and 8%, respectively.[25]

Loans have a neutral to negative impact on persistence. One GAO study suggests that loans decrease the dropout rate among white students only.[26] Other research has shown a disturbing correlation between increased emphasis on loans in the 1980s and a substantial decrease in college participation among low-income families. Furthermore, the greatest increase in indebtedness during this time period was by low-income students; the highest debt levels were held by those who could least afford them. Not coincidentally, the highest default rates also were found in this population.[27]

Analyses of work-study awards and other types of on- and off-campus employment suggest that some work has a positive effect on persistence; however, too much work has a negative impact. There is a positive link between a light to moderate amount of work, particularly on-campus work, suggesting that work serves to integrate the student within the campus environment and improve the student-institutional "fit" (meaning those factors that engage the student in a personal manner with the institution).[28] It can also provide a sense of self-esteem through learned job skills and contacts.[29] Of all the research on the effects of types of financial aid on persistence, the research on work-study assistance provides the most complete picture of its relationship to student success.

Although student aid enables students to persist at a greater rate than if they did not receive it, financial aid cannot compensate for all of the factors that work against persistence. Because many disadvantaged students face additional barriers to success--lack of resources, poor academic preparation, and low-level educational and career goals--some researchers suggest that more emphasis ought to be placed on institutional support structures to correct these problems which are outside the reach of aid.[30]

On average in any given semester, providing African-American and Hispanic students with an additional $1,000 in grant funds decreases the probability of dropping out by approximately 7% and 8%, respectively.

Other Factors that Impact Success

While financial aid has a significant impact on student success, other factors are equally as important. Some of the most prominent include:

- family background and socio-economic status;
- pre-college academic preparation;
- college academic performance; and
- social integration on campus.

These factors all have individual and interrelated effects on student success. Often it is the case that all of these factors, including financial aid,

combine to influence whether or not a student will succeed in higher education.

Family background and socio-economic status

Students from low socio-economic backgrounds, especially minority students, tend to persist at lower rates toward postsecondary degree completion, particularly four-year baccalaureate degrees.[31] Part of this is due to financial need; however, problems stemming from family background also are factors that may encourage or discourage persistence. Included among the discouragements of persistence are low levels of parental education, low degree-level and other personal goals, and lack of family support.[32]

A broad array of social science research indicates that the relationship between family background, socio-economic status, and student success is very strong. In addition, family background and socio-economic status also are correlated with the other persistence variables discussed here.

Pre-college academic preparation

Socio-economic status and pre-college academic preparation can be linked in that low-income students are more likely to attend inferior elementary and secondary schools, which can be a substantial barrier to persistence in college. Lack of good pre-college academic preparation is a particularly compelling social issue when many studies point to it as one of, if not the, most important indicators of persistence and success. Pre-college academic performance often has more influence on persistence than college GPA, receipt of financial aid, commitment to institution, social integration, and degree-level goal.[33]

Besides preparing students for the challenges of college work, high school achievement and measured academic ability also are indicative of increased educational expectations. These can be important levelers of differences in family and socio-economic background.

College academic performance

It follows that college academic performance also is a strong indicator of persistence; in some studies, it has been rated higher than financial aid. College grades can be indicative not only of persistence but "of successful adaptation to an academic environment."[34]

College grades alone do not prevent students from dropping out. Although academic ability as demonstrated by a high GPA is one of the best predic-

tors of persistence and student success, there are exceptions to this broad statement. Low grades are a stronger indicator of decreased commitment to college among minority students than among non-minority students.[35]

Social integration on campus

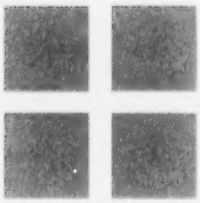
Social integration may consist of one or more of several structures or interactions: student-faculty interaction, special programs for certain students, ability of students to interact with their peer group, good advising and student development programs, and other institutional efforts to encourage student attachment to the institution itself and to other students. Subgroups with particular problems in the area of social integration include African-American students who attend predominantly white institutions and community college students, particularly those who lack clear educational goals and a sense of commitment to their institution.[36]

While minority students can face unique circumstances, all students who lack clear career and educational goals and/or support services are at risk of dropping out.[37] In addition, social background takes on a special importance between the third and fourth years of college.[38]

Summary

As the research demonstrates, the issue of success is defined in many ways. The most effective measure of student success in a public policy context must be able to quantify and encompass the greatest variety of students possible. The measure also must have a relation to the most essential individual goal of federal student aid policy--to improve a person's quality of life by providing access to some form of postsecondary education.

Student aid, particularly when combined with other factors such as pre-college and college academic performance and social integration on campus, has a significant impact on student success, defined as persistence towards the completion of a degree or other educational or career goal. These factors all must be taken into account in fashioning a new strategy for using student aid to positively influence student success.



CHAPTER THREE

PRINCIPLES FOR REFORM

In reforming student aid to increase student success and thereby better meet the economic and social challenges that confront the nation in the 21st century, a statement of core principles should guide the development of national policy in the near- and long-term. These principles should address the aid system's current inadequacies by confronting the barriers that exist to hinder or impede student success. By adhering to these principles, the nation will chart a new course in making college a reality for all Americans who have the interest and the ability to attend college.

Student success in college must be viewed as part of a continuum that begins at the elementary school level and progresses through the achievement of a postsecondary degree or other educational or career goal.

Despite years of evidence that prove the importance of intervening early in the lives of students to generate their interest and success in college, governmental efforts have faltered. From efforts to slash funding for the TRIO programs at the federal level, to the failure to implement fully the Liberty Scholarship and Partnership program in the state of New York, to the cutbacks in funding for collegiate retention and support programs at both the state and federal levels, governments continue to act in short-sighted ways.

Student success in college, regardless of the social or economic status of the individual, is a process that begins in elementary school and perhaps sooner. Such success is contingent on not only strong academic support, but also on social guidance and counseling coupled with information about the personal benefits of completing college and succeeding in life.

Students and families should be able to rely on reasonable and stable levels of support from the federal government to help pay for college.

Beyond social disadvantages and a lack of monetary resources, perhaps the greatest barrier to access and success in postsecondary education is the lack of knowledge on the part of parents and students as to the amount and types of aid available. Students and their parents also have demonstrated misperceptions about college costs, greatly overestimating tuition and fee levels, and the inability to distinguish between low, moderate, and high cost institutions.[39] While part of this unfamiliarity can be attributed to the misinformation about college costs and aid programs and inadequate dissemination to the public, the history of government programs works against a comprehensive understanding on the part of students and families.

student success in college, regardless of the social or economic status of the individual, is a process that begins in elementary school and perhaps sooner.

Since their inception, federal aid programs have undergone numerous changes and reconfigurations. This instability hurts students who lack access to reliable consumer information and strong guidance programs. Furthermore, students already participating in postsecondary education have difficulty converting their eligibility for aid as they transfer from two-year to four-year institutions. The volatile environment in which these programs operate, marked by competition for scarce resources, increased scrutiny on the part of policymakers, and the desire for outcome-oriented measurements, has undermined the predictability of eligibility requirements as well as funding and award levels for the aid programs at all levels.

Governmental policies should promote greater awareness for students and families regarding their responsibilities for paying for college and the availability of financial assistance.

As noted in Chapter One, there is a major disconnect between student and family understanding about financial aid and the reality of postsecondary financing. Despite prior efforts to bolster understanding, only limited resources have been applied to improve the awareness that all Americans have regarding paying for college.

In today's media-rich society, students and families are subject to a cacophony of confusing and conflicting messages regarding what they are expected to pay for college, what kinds of support they can receive from external sources, and what steps they should take to prepare for college financing. A simple, coherent strategy must be devised to cut through the confusion and deliver timely and accurate information to students and families.

Student aid should be viewed as one of a combination of essential strategies that must be pursued to ensure student success in postsecondary education.

The ability of federal programs to promote access and success is diminished if students do not receive the support necessary to stay in postsecondary education until the achievement of a degree or other educational goal. While financial assistance is a substantial component in encouraging student success, it is by no means the only factor. Academic preparation, social support and guidance, and social and academic integration on campus for students already enrolled are just some of the other essential ingredients.

Pre-collegiate and campus-based support service programs, such as the federal TRIO programs, are successful examples of the types of efforts

needed. These programs have made great strides in reaching low-income and disadvantaged students who might not otherwise have the resources, incentives, or preparation to participate and succeed in postsecondary education. Further efforts must be made to link pre-collegiate programs, such as early intervention programs, to student success. One of the best weapons is the dissemination of information to targeted audiences about the availability of such resources and how to apply for them.

Non-governmental entities must play a central role in promoting student success at all intervals along the education continuum.

Much of the national discussion regarding student aid and student success occurs in a governmental policy context. While the need for governmental support is unequivocal, the failure to recognize the significant and sometimes dominant role that other actors play in the financing process is shortsighted.

Many non-governmental actors--from the colleges and universities themselves, to neighborhood counseling and support centers, to national organizations that promote college admissions and awareness--play an essential role in this process. These entities must be seen as integral fibers in the national fabric of student aid and support efforts that make college success possible.

Simplicity should be promoted in the processes of determining student eligibility and delivering aid.

Much progress has been made toward achieving simplicity in national financial assistance policy. At the federal level, the 1992 reauthorization of the Higher Education Act made significant contributions to simplifying the federal aid process. Modifications such as redesigning the aid application form, limiting the application fees, and developing a single need analysis formula were important steps in helping reduce the barrier of confusion and complexity that confronted hopeful postsecondary students in the past. Yet despite these advances, significant barriers still exist. While the federal aid process has been streamlined, in many cases needy students must complete additional forms for state and institutional aid programs.

More troubling still is the confusing patchwork of programs and policies that dot the federal student aid landscape. Since 1965, numerous name changes, sometimes three or four within one program, and the consolidation and creation of programs at the federal level have combined to create a complex picture for students and their families.

THE NEXT STEP

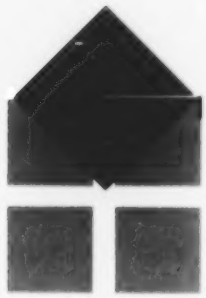
Oversight of student aid programs must strike a balance between student needs for consumer information and governmental needs for monitoring the capacity of institutions to administer taxpayer resources.

Access has been the driving issue behind national policy regarding student financial assistance over the past several decades. However, in the last few years many policymakers have asked, "Access to what?" Through such legislation and policy as the 1990 Campus Security and Student Right to Know Act and the State Postsecondary Review Entity program, the federal government has sought to determine exactly what such a substantial investment of public resources, mainly through Title IV program funds, has achieved. By administering new regulations that are aimed at measuring outcomes and more rigidly enforcing current policies, the federal government is seeking to protect not only the public's investment, but also students' rights as consumers in the higher education "market."

However, the regulation of colleges and universities by the federal government in the name of pursuing accountability and protecting consumer rights must be held in proper balance. Currently, institutions that participate in federal student aid programs must meet the requirements of over 7,000 sections of the Code of Federal Regulations. While many of these guidelines are necessary for program oversight and procedure, the confusing and burdensome nature of numerous regulations is evidence of the danger of misconstruing the relationship between outcomes and the financial and administrative responsibilities of institutions.

Colleges and universities should not be held accountable to the federal government for activities beyond the purview of their participation in financial assistance programs. Practical and equitable regulation should be restricted to measurable standards of accountability. In addition, national policy standards should be flexible enough to allow for institutions that operate with limited budgets and resources. These are often the very institutions and student populations that government student aid programs are intended to benefit.

Currently, institutions that participate in federal student aid programs must meet the requirements of over 7,000 sections of the Code of Federal Regulations.



CHAPTER FOUR

REDESIGNING STUDENT AID - THE NEXT STEP

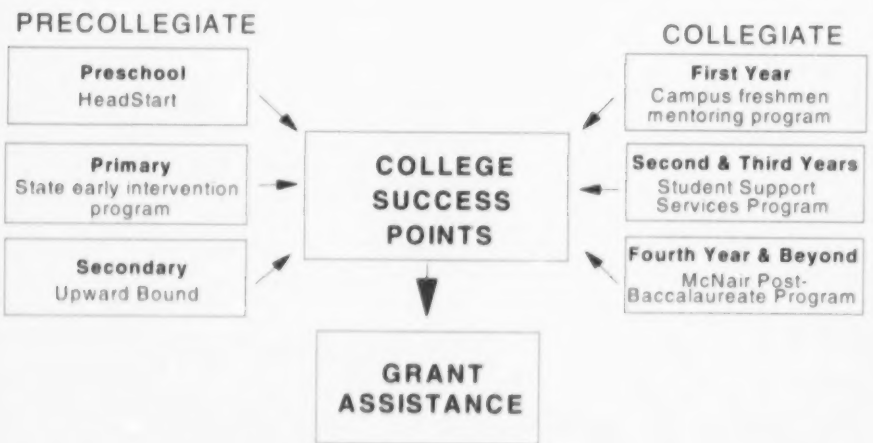
The principles delineated in Chapter Three provide a foundation that recognizes the needs of all the partners in higher education, from students and their parents, to institutions, to government at all levels. Using these principles, several policy strategies should be pursued at the federal level to strengthen and expand the federal government's efforts to promote student success. The policies proposed can be implemented without resorting to the kinds of access-inhibiting, negatively framed proposals that have dominated the policy landscape over the past several years.

We recommend that the following policies be implemented:

Create a new federal strategy, called the College Success Program (CSP), that links current student support and intervention programs and provides new mechanisms to promote student success in college.

The CSP would award college success "points" (CSPs) to students for participating in early intervention programs, engaging in peer support activities, and participating in collegiate support programs that encourage persistence. Such a program would acknowledge the inextricable linkage between student support and intervention efforts--prior to and during college--and student success. CSPs could be redeemed by students at any point in their lifetimes to provide additional support to succeed in college (see below).

The College Success Program: An Illustration



Note: Students can redeem the college success points (CSPs) that they have earned for grant aid to help pay for college. This chart shows examples of the types of programs in which students can participate, from preschool through college, to earn CSPs.

The CSP would represent a major new federal commitment to student success at the postsecondary level. Unlike much of the current policy discussion concerning student success, the CSP would not use a punitive approach to enforce success "standards." Instead, the CSP would provide positive incentives to students, both early in life and continuing through to college, to succeed while in college. This strategy also conveys a simple and straightforward message to students who frequently hear confusing and conflicting information about college financing. The message: participate in support programs, receive additional aid for college.

Programs in which students could participate to meet the CSP's requirements would include the federal TRIO programs, the National Early Intervention Scholarship and Partnership program, the proposed FIPSE-type institutional persistence programs (see below), and college-sponsored and private programs designated as early intervention or college persistence programs by the states.

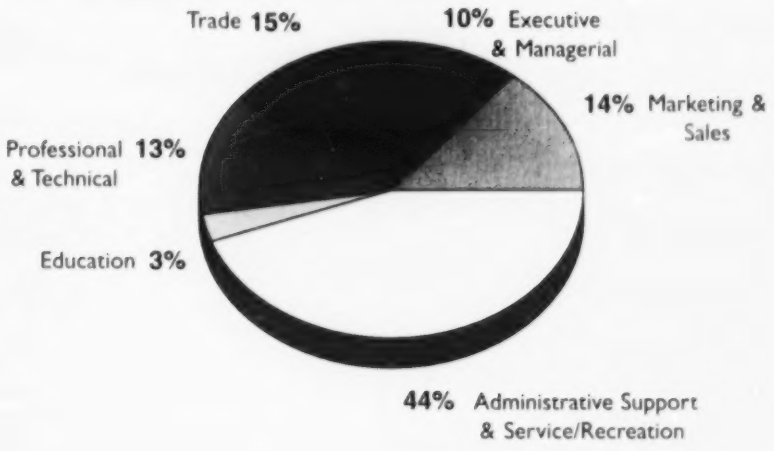
Eligibility for supplemental grant assistance available through the CSP would include those students eligible to receive a Pell Grant for the year in which the CSPs are redeemed. The total grant funding that students receive could not exceed the total cost of attendance at the institution in which the student is enrolled, as calculated by that institution.

The current Presidential Access Scholarships program, created under the 1992 Higher Education Act reauthorization, would constitute an important component of the CSP. Presidential Access Scholarships provide supplemental grant assistance to students who have participated in a preparatory program for postsecondary education and who demonstrate academic achievement. The CSP would do the same, but would extend this supplemental assistance to include participation in support and intervention programs while in college. This would help to ensure that students not only receive access to a postsecondary education, but also tangible rewards for succeeding in college.

Establish a mechanism for converting CSPs into grant funding that promotes student persistence in college.

Students should be allowed to convert their CSPs into actual grant funding while in college. CSPs earned prior to college enrollment could be used to pay for the first year of enrollment in college. The CSPs could be redeemed for grant funding that equals up to 50% of the student's Pell Grant award, depending on the number of CSPs earned before college. In subsequent years, CSPs could continue to be earned by students who participate in

Distribution of Undergraduate Workers' Occupational Fields



Note: Percentages may not add up to 100% due to rounding.
Source: U.S. Department of Education, National Center for Educational Statistics, *Undergraduates Who Work While Enrolled in Postsecondary Education: 1989-1990*, 1994.

---

collegiate support programs that promote persistence. This would allow students to increase their grant funding while enrolled in college.

Students would not be able to redeem their CSPs if they failed to maintain continuous enrollment (stopping out for more than two semesters or 12 months). This should provide a strong, yet reasonable, incentive for students to stay in college and achieve their educational goal or credential in a timely manner. Students who return to school after such a break would be allowed to redeem CSPs after two semesters of continuous enrollment.

Modify the Federal College-Work Study program to expand opportunities for student work that are related in a meaningful way to declared educational or career goals.

Recent studies have shown that work during college years, particularly on-campus work, provides students with incentives to persist in school by making them feel integrated with the campus community. Both low- and middle-income students benefit from this joint government and institutional venture. Because funds earned through work need not be repaid, such a program has clear advantages for students over loans.

One problem with existing work-study opportunities is that they often are limited to on-campus jobs in food service, campus maintenance, and other tasks not directly related to the educational programs or goals of most students. Broadened employment options would result in increased student satisfaction with their collegiate experience, and therefore increase the likelihood of uninterrupted persistence.

Consideration should be given to utilizing the existing monies allocated to the Federal Perkins Loan program to fund additional work-study opportunities directly related to student career or educational goals. Due to political opposition, the future of the Perkins program is in jeopardy. If this program is terminated, the more than $5 billion in institutional revolving accounts now in existence on college campuses across the country could provide years of support for work-study linked to the educational or career goals of individuals. Equally as important, this expansion of college work-study could be implemented without creating new federal structures or regulations.

Increase support for the TRIO and National Early Intervention Scholarship and Partnership programs.

Government and institutional grants and loans are inefficient when students are not prepared for college-level work. Many institutions devote significant resources toward remedial education for capable students who have not received adequate secondary instruction and support. Increased federal support for the TRIO programs, including the Student Support Services program and the National Early Intervention Scholarship and Partnership Program, would enhance students' academic preparation for college success.

Consideration should be given to utilizing the existing monies that are allocated to the Federal Perkins Loan program to fund additional work-study opportunities directly related to student career or educational goals.

TRIO programs distribute funds to higher education institutions, service agencies, and other organizations to identify capable students from disadvantaged backgrounds and provide them with support services at the secondary, postsecondary, and postbaccalaureate levels including academic preparation and assistance with college admissions and financial aid procedures. Support for all of the TRIO programs--Talent Search, Educational Opportunity Centers, Upward Bound, the Ronald E. McNair Postbaccalaureate program, and Student Support Services--should be increased at least as much as the rate of inflation.

The Student Support Services program, which is designed to provide services to increase the college retention and graduation rates of disadvantaged students, deserves special consideration. This program is the only major federal program to address the central outcome of providing access: to exit the postsecondary system with a degree or credential in hand. In-

creasing funding for this program by at least 10% per year for the next five years would give colleges and universities the additional support they need to create a positive learning environment for the disadvantaged but capable students they are trying hard to attract and retain.

While the TRIO programs are designed to meet specific gaps in the needs of communities, school systems, and postsecondary institutions, the National Early Intervention Scholarship and Partnership Program allows states to design comprehensive service programs for specific disadvantaged populations. The program provides matching funds on a competitive basis for services designed to support cohorts of students from the early elementary grades through high school graduation, thus the title "early intervention." These state initiatives have two primary goals: to increase high school graduation rates, and to provide preparation for postsecondary education or something equally meaningful. Such programs involve activities designed to teach students about: college life, admissions requirements, and financial aid procedures; career options and the education necessary to achieve them; and self-esteem and self-motivation.

The intent of the National Early Intervention Scholarship and Partnership Program is to provide funding to each state. Currently, states must compete for limited funds, although students in all states could benefit from programs of this type. Federal support should be increased to provide each state with up to $1 million. This increase should not come at the expense of funding for TRIO programs, which have a long track record of success and deserve the highest priority.

Create a new program, modeled on the U.S. Department of Education's Fund for the Improvement of Postsecondary Education (FIPSE), that awards competitive grants to institutions that develop and successfully administer systemic efforts for increasing student persistence.

The creation of a separate grant program for institutions to encourage the development of systemic student persistence efforts would offer two significant advantages: it would signal the federal government's substantial interest in ensuring that students succeed throughout their college careers, and it would encourage institutions to develop creative solutions to the problems of student dropout and stopout. The goal should not necessarily be to create new programs, but rather to alter the campus culture in such a way as to increase student retention systemically.

The funding required for such a program to be successful would be modest. For example, if funding equaled the total resources now allocated to FIPSE ($17.5 million in FY 1995), approximately 100 innovative grants (ranging

from $150,000 to $200,000 annually) could be awarded to develop new methods for maximizing student success.

Implement the Student's Total Education Package (STEP) proposal from the National Commission on Responsibilities for Financing Postsecondary Education.

STEP, an innovative concept in federal financial aid, would fix the total maximum amount of aid that any full-time undergraduate student can receive from the federal government. Under STEP, all full-time undergraduate college students would be eligible for the same maximum amount of federal aid, but the type of aid they receive would vary depending on their own financial needs and the cost of attendance. What would change, therefore, would be the subsidies and their relative apportionment between grants, subsidized loans, work-study, and unsubsidized loans.

Under this concept the poorest student would receive an aid package based primarily on grants, work-study, and subsidized loans. The student from a middle-income family would receive a mix of subsidized and unsubsidized loans, work-study, and grants. The student from an affluent family would not be eligible for subsidized aid but could still receive an unsubsidized loan.

The federal government would set the maximum package amount based on the weighted national average per-student expenditures at four-year institutions. According to the National Commission, this amount was approximately $14,000 in 1993.

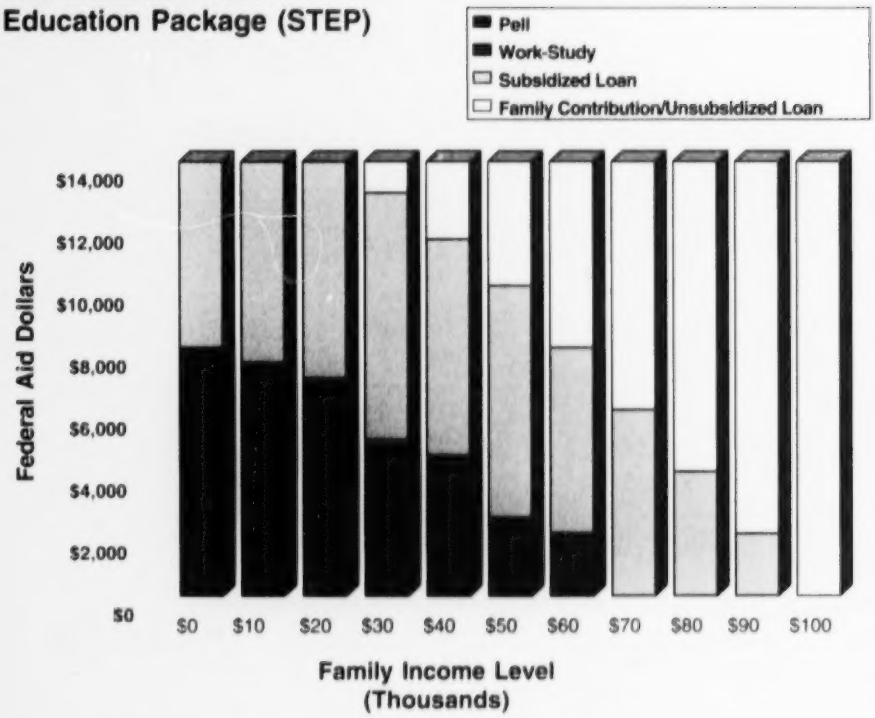
Under STEP, students who want to attend college--or those who are already enrolled but uncertain about their financial future--would know the exact amount of aid they could receive from the federal government.

The advantages of such an approach are obvious. Students who want to attend college--or those who are already enrolled but uncertain about their financial future--would know the exact amount of aid they could receive from the federal government. Both the government and higher education institutions could distribute and publicize this information to current and prospective students, cutting through much of the confusion and uncertainty about receiving assistance.

Exempt high performing institutions from certain governmental regulations to encourage greater emphasis on student success.

Under the SPRE program, institutions that meet any one of nearly a dozen "triggers" are subject to extensive review by the State Postsecondary Review Entity in their state. Examples of SPRE review triggers include default rates greater than 25%, a failure to submit audits to the U.S. Department of Education on time, and a significant year-to-year fluctuation in federal stu-

The Student's Total Education Package (STEP)



Source: The National Commission on Responsibilities for Financing Postsecondary Education, *Making College Affordable Again*, 1993.

dent aid funds. These triggers are intended to spotlight institutions that may be engaging in fraudulent or abusive activities.

The flaw with SPRE and other new regulatory activities contained under Part H of Title IV is that they treat all institutions with suspicion and subject them to significant regulatory burdens. By focusing their efforts on complying with the massive federal student aid regulatory apparatus, colleges and universities are often unable to devote energies and resources to student support programs that positively encourage success.

One way of encouraging greater institutional emphasis on student success would be to create a "reverse trigger list" for high performing institutions. Such a list could include a variety of thresholds to ensure that appropriate financial, administrative, and other requirements are being met. Institutions that meet all of the reverse trigger list standards could thereby be exempted from certain regulations, or might be required to report necessary information once every several years, rather than annually.

The flaw with the SPRE program and other new regulatory activities contained under Part H of Title IV is that they treat all institutions with suspicion and subject them to significant regulatory burdens.

Conclusion

The goal of equalizing postsecondary educational opportunity remains as important today as when it was first proposed at the federal level in 1965. At a time when budget constraints and calls for greater accountability in student aid dominate policy discussions, it is important to remember that postsecondary education benefits the nation as a whole as much as the individuals being educated. By creating incentives for success through student assistance programs, both students and the nation will benefit. Such an approach will ensure that student aid will take the logical next step in meeting the nation's goals of social and economic prosperity as we enter the 21st century.

ENDNOTES

1. U.S. Department of Commerce, Bureau of the Census, "More Education Means Higher Career Earnings," *Statistical Brief*, August 1994.

2. *Ibid.*

3. *Ibid.*

4. Michael S. McPherson, Professor of Economics and Dean of Faculty, Williams College and Morton O. Schapiro, Professor of Economics and Dean of the College of Letters, Arts, and Sciences, University of Southern California, testimony before the Subcommittee on Education, Arts, and Humanities of the U.S. Senate, Washington, DC, February 1995.

5. U.S. Department of Education, National Center for Education Statistics, *The Condition of Education, 1994* (Washington, DC: U.S. Government Printing Office, 1994), 102.

6. *Ibid*, 109.

7. KRC Research and Consulting, "Public Perceptions about the Impact of Proposed Budget Cuts in Financial Aid for College Education," unpublished paper for the Alliance to Save Student Aid, January 1995.

8. The Public Agenda Foundation, "The Closing Gateway: Californians Consider Their Higher Education System," report prepared for the California Higher Education Policy Center (San Jose, CA: California Higher Education Policy Center, 1993), 1.

9. Lawrence Gladieux and Laura Greene Knapp, *Trends in Student Aid: 1984 to 1994* (New York: The College Board, 1994).

10. McPherson and Schapiro, 1995.

11. U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics, 1993* (Washington, DC: U.S. Government Printing Office, 1994), 391.

12. Donald Gillespie and Nancy Carlson, *Trends in Student Aid: 1963 to 1983* (New York: The College Board, 1983) and Gladieux and Greene Knapp, 1994.

13. Lawrence Gladieux and Laura Greene Knapp, *Trends in Student Aid: 1980 to 1990* (New York: The College Board, 1990) and Gladieux and Greene Knapp, 1994.

14. *Ibid.*

15. U.S. Department of Education, *FY 1991 Guaranteed Student Loan Programs Data Book* (Washington, DC: U.S. Government Printing Office, 1992).

16. U.S. Department of Education, *FY 1992 Loan Programs Data Book* (Washington, DC: U.S. Government Printing Office, 1993).

17. U.S. Department of Education, *Preliminary FY 1993 Loan Programs Data Book* (Washington, DC: U.S. Government Printing Office, 1994).

18. KRC Research and Consulting, 1995.

19. The Institute for Higher Education Policy, "Statewide Early Intervention Programs: What Works," *Policy Steps*, 1994, 2:1-2.

20. Robert H. Koff, "Philanthropy, the Public School, and the University: The "Albany Dreamers" Program as a Model for At-Risk Youth," in Arthur M. Hauptman and Robert H. Koff, eds. *New Ways of Paying for College* (New York: American Council on Education and Macmillan Publishing Company, 1991), 111-2.

21. Ann S. Coles, "School to College Transition Programs for Low Income and Minority Youth," unpublished paper for the DeWitt Wallace-Reader's Digest Fund, October 1993.

22. Frederick J. Fischer, "Graduation-Contingent Student Aid," *Change*, 1987, 19:40-47.

23. Vincent Tinto, *Leaving College* (Chicago: University of Chicago Press, 1987).

24. Tullisse A. Murdock, "Financial Aid and Persistence: An Integrative Review of the Literature," *NASPA Journal*, 1990, 27:213-221; Ernest T. Pascarella and Patrick T. Terenzini, *How College Affects Students: Findings and Insights from Twenty Years of Research* (San Francisco: Jossey-Bass, 1991); and Oscar Porter, "Where Do We Go from Here: Looking Beyond Student Aid and Access to Persistence," in Jamie Merisotis, ed. *The Changing Dimensions of Student Aid* (San Francisco: Jossey-Bass, 1991).

25. Cornelia M. Blanchette, Associate Director, Education and Employment Issues, Health, Education, and Human Services Division, U.S. General Accounting Office, testimony before the Subcommittee on Education, Arts, and Humanities of the U.S. Senate, May 1994 and U.S. General Accounting Office, *Restructuring Student Aid Could Reduce Low-Income College Student Dropouts* (Washington, DC: U.S. Government Printing Office, 1995).

26. *Ibid.*

27. Thomas Mortenson, *The Impact of Increased Loan Utilization among Low Family Income Students* (Iowa City: American College Testing Program, 1990).

28. Murdock, 1990.

29. M. Gleason, "College Student Employment, Academic Progress, and Postcollege Labor Market Success," *Journal of Student Financial Aid,* 1993, 23:5-14; Michael Olivas, "Financial Aid for Hispanics: Access, Ideology, and Packaging Policies," in Michael Olivas, ed. *Latino College Students* (New York: Teachers College Press, 1986); and Gary L. Kramer et. al., "Why Students Persist in College: A Categorical Analysis," *NACADA Journal,* 1985, 5:1-17.

30. Murdock, 1990.

31. Thomas Mortenson and Zhijun Wu, *High School Graduation and College Participation of Young Adults by Family Income Backgrounds: 1970 to 1989* (Iowa City: American College Testing Program, 1990); Charles F. Manski, "Parental Income and College Opportunity," *DSC Report Series* (Washington, DC: Democratic Study Center, 1992); and Marvel Lang, "Barriers to Blacks' Educational Achievement in Higher Education: A Statistical and Conceptual Review," *Journal of Black Studies,* 1992, 22:510-522.

32. M. von Destinon, "Chicano Student Persistence: The Effects of Integration and Involvement," *Internal Report Series,* No. 14 (Tucson: University of Arizona, 1988).

33. Dawn G. Terkla, "Does Financial Aid Enhance Undergraduate Persistence?" *Journal of Student Financial Aid,* 1985, 15:11-18; Alberto F. Cabrera, Amaury Nora, and Maria B. Castaneda, "The Role of Finances in the Persistence Process: A Structural Model," *Research in Higher Education,* 1992, 33:571-594.

34. Pascarella and Terenzini, 1991.

35. Maria C. Zea et. al., "Predicting Intention to Remain in College: Are Ethnic Minorities Different from Non-Minorities?" paper presented to the American Psychological Association, Toronto, Canada, August 1993.

36. Lang, 1992; Walter R. Allen, "Black Student, White Campus: Structural, Interpersonal, and Psychological Correlates of Success," *Journal of Negro Education,* 1985, 54:134-147; and R. D. Walleri and M. Peglow-Hoch, "Case Studies of Non-Traditional High Risk Students:

Does Social and Academic Integration Apply?" paper presented at Association for Institutional Research Annual Forum, 1988.

37. Virginia N. Gordon, "Students with Uncertain Academic Goals," in L. Noel and R. Levitz, eds. *Increasing Student Retention* (San Francisco: Jossey-Bass, 1985).

38. Edward P. St. John et. al., "The Effects of Student Financial Aid on Persistence: A Sequential Analysis," *Review of Higher Education*, 1991, 14:383-406.

39. National Commission on Responsibilities for Financing Postsecondary Education, *Making College Affordable Again* (Washington, DC: U.S. Government Printing Office, 1993), 15-16.